

**Council on Postsecondary Education
Executive Committee Meeting
January 12, 2006**

Draft Tuition Policy

Prior to 2001, the Council set resident undergraduate tuition rates for students attending public institutions as a percentage of Kentucky Per Capita Personal Income (PCPI). These rates were differentiated by sector. In FY 2000, the last year this policy was in place, UK's and UofL's tuition was 13.4 percent of PCPI, the comprehensive institutions' tuition was 9.2 percent of PCPI, and KCTCS's tuition was 5.0 percent of PCPI.

Over the past five years, tuition and required fees have increased by an average of \$2,225 for the research institutions (or 64 percent), \$2,146 for the comprehensive institutions (or 84 percent), and \$1,122 (or 91 percent) for KCTCS. The Council took action in May 2005 on current tuition and fee rates but indicated that a more direct approach to determining the rates would occur for 2006-07. In addition, the Council and KHEAA initiated a detailed affordability study that was completed in September 2005 to evaluate student record data regarding affordability.

At its January 30, 2006, meeting, the Council will take action on a staff recommendation regarding tuition policy to include the tuition and required fee rates for each institution.

This agenda item details the following:

- Timeline detailing the process for finalizing the tuition policy for 2006-08.
- The Council's tuition policy.
- Parameters and technical guide for tuition and mandatory fees for 2006-08.

Timeline and Process for Establishing Tuition and Fees for 2006-08

The Council staff has had numerous discussions beginning in September with institutions and executive and legislative members and staffs regarding the Council's tuition policy changes. The following table details the timeline for remaining discussions of tuition policy and its implementation that will occur between now and March when the Council finalizes the policy.

DRAFT TIMELINE FOR TUITION POLICY/PARAMETERS

Date	Description	Objective
December 7, 2005	Meetings with CBOs, Presidents, Executive Committee	Discuss draft tuition policy approach/review possible rate/range options.
December 16, 2005	Email meetings with Council members and CBOs	Council staff to send draft tuition policy and recommended institutional data/rates/ranges for comments/suggestions.
December 16, 2005 – January 10, 2006	Email meetings/conference calls, etc.	Council staff will work with CBOs to analyze/refine data, incorporate suggestions/comments, and finalize draft recommendation.
Early January 2006	Meetings with CBOs, Presidents, Executive Committee	Discuss tuition policy draft and preliminary rates/ranges.
January 5, 2006 – January 30, 2006	Email meetings/conference calls, etc.	Refine recommendations based on discussion and finalize recommendations.
January 30, 2006	Council meeting	Council action on tuition policy.
February/March 2006	Institutional boards meet	Institutional boards meet and develop recommendations on tuition and fees consistent with Council policy to be presented to the Council in March.
Late Feb/early March 2006	Tuition hearings before the Council Executive Committee	Institutions present board recommendations consistent with the Council's tuition policy/parameters, or request exceptions.
March/April	Council meeting	Final action on policy/rates.

Council on Postsecondary Education Tuition Policy

- The Council shall maintain a system for establishing parameters regarding tuition and fees for postsecondary education in order to ensure that higher education remains affordable for Kentucky's citizens and that sufficient revenue is available for the goal attainment of the public agenda.

Policy Principles

- **(Access)** – College education in Kentucky should be affordable for all Kentuckians and institutional choice for qualified students should be attainable regardless of income. Annual price fluctuations should be minimized to the extent possible.
- **(Adequacy)** – Tuition policy decisions should align the tuition and fee revenue with state appropriations to provide adequate total public funding levels necessary for institutions to meet the objectives of the public agenda.
- **(Aid)** – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for needy students.
- **(Alignment)** – The following three policies should be aligned with each other and the public agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

Tuition and Fees

- **Undergraduate Resident Tuition and Mandatory Fees** will be determined based on the following factors:
 - Ability of students to pay
 - Enrolled students' income levels (JBL affordability study data)
 - Enrolled students' financial aid from all sources (JBL affordability study data)
 - Population income levels – including potential students not currently enrolled (median family income of the Commonwealth)
 - Minimum amount of student loans (**Measuring Up** best practices for best performing states in the affordability measure)
 - Market factors
 - Tuition and fee rates compared to benchmarks
 - Tuition and fee revenue levels relative to total funds compared to benchmarks

- **Nonresident Undergraduate Tuition and Fees** - The Council supports enrolling and retaining nonresident students in Kentucky. This will be necessary in order to reach the educational attainment goals of the public agenda by 2020. The Council also expects nonresident students to pay a higher price to cover a greater percentage of the cost of their education. The published nonresident tuition and fees at each institution will be at least 2.5 times higher than resident undergraduate tuition and fee rates.
- **Graduate and Professional Tuition and Fees** -The institutions will submit a proposal detailing tuition and fee rates for graduate and professional programs. The proposed tuition and fee rates will consider students' ability to pay as well as market factors.
- **Special Circumstances** -The Council will consider special circumstances on a case by case basis at the tuition hearing to be held prior to final action by the Council in March/April prior to the beginning of each biennium.

Technical Guide for 2006-08 Tuition and Fees Parameters

- The institutions' tuition shall be established in such a manner that the combination of mandatory fees and tuition charges do not exceed the maximum parameter unless expressly granted an exception by the Council.
- The maximum parameters are detailed as follows:
 - TABLE 1 - 2006-07 parameters
 - TABLE 2 - 2007-08 parameters assuming less than half benchmark recommendation funded by the legislature
 - TABLE 3 - 2007-08 parameters assuming half or greater of the benchmark recommendation funded by the legislature

Resident Undergraduate Students:

- The parameters are based on an analysis of the current relationship of tuition and fees as a percent of the statewide median family income (MFI) in each of the three sectors of public higher education in Kentucky as follows and the increase allowances as a percent of MFI by sector are based on the following proportionality:
 - The current sector breakdown of tuition and fees as a percentage of median family income for the (1) research sector - 12.2 percent; (2) comprehensive sector - 10 percent; and (3) two-year sector - 5 percent.
- The parameters are established separately based on benchmark funding assumptions:
 - Less than half the benchmark funding recommendation
 - Research sector may increase tuition and fees as a percent of MFI by one percentage point.
 - Comprehensive sector may increase tuition and fees as a percent of MFI by 0.82 percentage point.
 - Two-year sector may increase tuition and fees as a percent of MFI by 0.42 percentage point.
 - Half or greater than the benchmark funding recommendation
 - Research sector may increase tuition and fees as a percent of MFI by 0.50 percentage point.
 - Comprehensive sector may increase tuition and fees as a percent of MFI by 0.41 percentage point.
 - Two-year sector may increase tuition and fees as a percent of MFI by 0.21 percentage point.

- The parameters are established for both years of the 2006-08 biennium.
- In addition to the general parameters described above, the maximum increases as a percentage of MFI will be moderated by 0.25 percentage point for each of the following factors:
 - Market Factor - tuition and fees greater than median of benchmarks - decrease 0.25 percentage point.
 - Market Factor - tuition and fee revenue as a percent of total public funds is below the average of the benchmarks - increase 0.25 percentage point.
 - Affordability Measure (JBL data) - percentage of students (greater than 10 percent) in the bottom two income quartiles who do not meet affordability standard (greater than \$6,620 of cost of attendance left to pay after effective family contribution, grants, and \$2,620 in loans) - decrease 0.25 percentage point.
- Benchmark comparisons will not apply to KSU based on Baker Hostetler concerns and alternative benchmark calculation (small institution adjustment).

Nonresident Undergraduate Students:

Policy statement -The Council supports enrolling and retaining nonresident students in Kentucky. This will be necessary in order to reach the educational attainment goals of the public agenda by 2020. The Council also expects nonresident students to pay a higher price to cover a greater percentage of the cost of education.

- The tuition and mandatory fees for nonresident undergraduate students shall be at least 2.5 times higher than the resident rates unless the institution awards a scholarship.

Graduate and Professional Students:

- Each institution shall present a proposal to the Council. The proposal should be based on market analysis and be competitive enough to keep residents in Kentucky to attend graduate school as well as attract nonresidents to Kentucky, consistent with the public agenda.
- Rates should also be established with the goal of ensuring that qualified resident students, who have low incomes, in combination with financial aid, have the opportunity to consider the program.

Other Circumstances:

- The Council shall consider at the tuition hearing requests for specific exceptions to approved tuition parameters approved by the Council in January for undergraduate resident students. Institutions will be given the opportunity to submit detailed requests for exceptions in advance of the hearing.
- The Council shall consider at the tuition hearing proposals for separate rates for selected programs. Institutions will be given the opportunity to submit detailed proposals that include specific justification for differentiated rates in advance of the hearing.

Draft Maximum Parameters for Undergraduate Resident Tuition and Mandatory Fees

			Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
Institution	Tuition and Fees 2006	Tuition and Fees as % of State Median Family Income \$46,856	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2007 \$48,168	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2007 \$48,168	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$5,896	12.6%	\$6,663	13.8%	13.0%	\$767	\$6,362	13.2%	7.9%	\$466
UofL	5,531	11.8%	6,168	12.8%	11.5%	637	5,927	12.3%	7.2%	396
SECTOR AVERAGE	5,714	12.2%	6,415	13.3%	12.3%	702	6,144	12.8%	7.5%	431
Comprehensive Institutions										
EKU	4,660	9.9%	5,185	10.8%	11.3%	525	4,988	10.4%	7.0%	328
KSU	4,468	9.5%	4,988	10.4%	11.6%	520	4,791	9.9%	7.2%	323
MoSU	4,320	9.2%	4,836	10.0%	11.9%	516	4,638	9.6%	7.4%	318
MuSU	4,428	9.5%	4,947	10.3%	11.7%	519	4,749	9.9%	7.3%	321
NKU	4,968	10.6%	5,502	11.4%	10.8%	534	5,305	11.0%	6.8%	337
WKU	5,316	11.3%	5,860	12.2%	10.2%	544	5,662	11.8%	6.5%	346
SECTOR AVERAGE	4,693	10.0%	5,220	10.8%	11.3%	526	5,022	10.4%	7.0%	329
Two-Year Institutions										
KCTCS	2,352	5.0%	2,615	5.4%	11.2%	263	2,517	5.2%	7.0%	165

Draft Maximum Parameters for Undergraduate Resident Tuition and Mandatory Fees

FY 2007-08
TABLE 2

Institution	Tuition and Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
			Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$6,671	13.8%	\$7,462	15.1%	11.9%	\$791	\$7,153	14.5%	7.2%	\$482
UofL	6,166	12.8%	6,821	13.8%	10.6%	655	6,573	13.3%	6.6%	407
SECTOR AVERAGE	6,419	13.3%	7,141	14.5%	11.2%	723	6,863	13.9%	6.9%	445
Comprehensive Institutions										
EKU	5,185	10.8%	5,725	11.6%	10.4%	540	5,522	11.2%	6.5%	337
KSU	4,988	10.4%	5,523	11.2%	10.7%	535	5,320	10.8%	6.7%	332
MoSU	4,836	10.0%	5,367	10.9%	11.0%	531	5,164	10.4%	6.8%	328
MuSU	4,947	10.3%	5,481	11.1%	10.8%	534	5,278	10.7%	6.7%	331
NKU	5,502	11.4%	6,050	12.2%	10.0%	548	5,848	11.8%	6.3%	346
WKU	5,806	12.1%	6,362	12.9%	9.6%	556	6,160	12.5%	6.1%	354
SECTOR AVERAGE	5,211	10.8%	5,751	11.6%	10.4%	541	5,549	11.2%	6.5%	338
Two-Year Institutions										
KCTCS	2,615	5.4%	2,886	5.8%	10.3%	271	2,784	5.6%	6.5%	169

Draft Maximum Parameters for Undergraduate Resident Tuition and Mandatory Fees

FY 2007-08
TABLE 3

			Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
Institution	Tuition and Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$6,374	13.2%	\$7,157	14.5%	12.3%	\$783	\$6,849	13.9%	7.4%	\$475
UofL	5,923	12.3%	6,571	13.3%	10.9%	648	6,324	12.8%	6.8%	401
SECTOR AVERAGE	6,149	12.8%	6,864	13.9%	11.6%	716	6,586	13.3%	7.1%	438
Comprehensive Institutions										
EKU	4,988	10.4%	5,523	11.2%	10.7%	535	5,320	10.8%	6.7%	332
KSU	4,791	9.9%	5,321	10.8%	11.1%	530	5,118	10.4%	6.8%	327
MoSU	4,638	9.6%	5,164	10.4%	11.3%	526	4,961	10.0%	7.0%	323
MuSU	4,749	9.9%	5,278	10.7%	11.1%	529	5,075	10.3%	6.9%	326
NKU	5,305	11.0%	5,848	11.8%	10.2%	543	5,646	11.4%	6.4%	341
WKU	5,662	11.8%	6,214	12.6%	9.8%	552	6,012	12.2%	6.2%	350
SECTOR AVERAGE	5,022	10.4%	5,558	11.2%	10.7%	536	5,355	10.8%	6.7%	333
Two-Year Institutions										
KCTCS	2,517	5.2%	2,785	5.6%	10.7%	268	2,684	5.4%	6.6%	167